

mocracies is still merely demagogic,—addressing itself to ignorance, prejudice, and passion, resorting to catchwords, lying accusations, specious arguments, making use of social discontent to hoist itself to power, then there is also a growing capacity on the part of the people to discriminate between great men and mountebanks, between sincere men and hypocrites, between devoted men and the self-seekers, between the planners and the sly plotters, between the builders and the underminers, between the preservers and the assassins and destroyers.

The exploiters of every type will continue to attempt to play their parts, but they will be ever more surely recognized for what they are, and will be given ever lesser shift.

We publish in this issue of the Journal a very clear exposition of the facts, the law, and the equities

involved in connection with claims which have arisen from the Japanese seizures of the credits and bank deposits of American and allied Japanese Seizure firms and nationals in the Philippine American Bank Deposits, including decisions of the Philippine Supreme which in effect "validate" this enemy action and relieve certain local banks of any obligation to their pre-war depositors and also relieve debtors generally who paid off their pre-war obligations in Japanese military notes, of all further liability.

The Court decision with respect to the liability of these local banks to their pre-war depositors has fallen especially heavily on numerous Americans of moderate means, former civil servants and veterans of the Spanish-American war who are thus deprived of their life-savings at a time when they need them most.

The situation cries for corrective action.

## Story of the Manila Bankers

as told in the Santo Tomas Internment Camp\*

By A. V. H. Hartendorp

MANILA bank executives among the internees, unanimously, though with bankers' reserve, expressed dissatisfaction with the manner in which the abandonment of the city had been carried out by the United States and Commonwealth authorities. They said, as did everyone else, that they had received insufficient warning. The three days just prior to the enemy occupation, during which the banks were closed to the public, could have been used by them in preparing for the inevitable, but they were actually given over to little more than the ordinary end-of-the-year business of banks. Bankers said that if they could have gotten their records away, the Japanese would have had much greater difficulty than they had in taking over control of the business of the country.

As for the public, had the banks been open during the last two days of the year and on New Year's Day, not so many people would have been caught in the most terrible crisis of their lives with little or no money. But December 30 is Rizal Day in the Philippines, a national holiday; December 31, as the last day of the year, is customarily a bank holiday; January 1 is a public holiday. January 2 (Friday) was the day of the enemy occupation, and although the Japanese did not enter the city until around six o'clock in the evening, they had been expected from hour to hour during all of that day. Great fires were raging at Pandacan, along the river banks, and in the port area, looting was going on, the city was in panic. The night before, the bank managers, in consultation with Bass and Vargas, had decided that the banks should remain closed that day. It was too late to think of opening them then.

A brief summary of Philippine banking history during the six months which preceded the outbreak of

the war in the Pacific, is interesting. About the beginning of this time, all the banks were busy on "T. F. R. 300," a form which had to be made out for the U. S. Treasury showing the assets and liabilities of all foreign nationals in the Philippines; also of those Americans in the Philippines whose legal residences were in the countries mentioned in the various "freezing" orders of the American Government. These forms were completed in October and November and turned in to the office of the U. S. High Commissioner.

The freezing of Chinese assets followed the freezing of Japanese assets as a measure, taken in collaboration with the Chinese Government, to prevent Japanese manipulation of Chinese finances. The purpose of the freezing orders was not to interfere with the legitimate business of the nationals of the countries to which these orders applied, but rather to control certain exports which were of military importance to the aggressor nations. The Japanese and Chinese nationals in the Philippines were still allowed to draw up to P1000 a month from the banks in which they had deposits, this applying also to Americans in the country whose residences were in Japan or China.

The two Japanese banks in the Philippines,—the Yokohama Specie Bank and the Bank of Taiwan, were ordered closed on December 8, the day war broke out, and all Japanese accounts in other banks were frozen. Had Manila not been occupied by the enemy so soon afterwards,—within a month, certain concessions would no doubt have been made with respect to individual bank withdrawals by interned Japanese nationals, but things moved too swiftly. The offices of the Japanese banks, though closed, were not interfered with, but a representative of the High Commissioner's office went into each of the banks. Japanese business houses, factories, stores, etc., were simply closed-and

Author's note:—This is one of a number of similar sections, based on personal interviews, in the writer's unpublished book on Santo Tomas. It was written after interviewing most of the bank officials, American and British, then in the camp, and was checked by them for accuracy at the time. As a precaution against the results of a possible discovery of the manuscript by the Japanese, names were little used and sources were never indicated.

placarded, "Closed by Order of the USAFFE." There was some discussion as to this by the authorities and in the end it was decided that the High Commissioner's office would take charge of these alien properties, but it was already too late to work out any course with reference to them.

Pre-war banking hours in Manila were from 9:30 a.m. to 2:30 p.m. After the outbreak of war, the hours were changed from 9:30 to 12:00, with but one instead of two bank-clearings a day. This was found advisable because the frequent bombing raids on the city greatly upset bank routine.

Regulations were issued by the Bank Commissioner limiting all personal cash withdrawals of depositors to P200 a week, a special license being required to withdraw more. Later on this was changed to P1000 a month. This was for the purpose of protecting the cash-on-hand in the banks. There was, however, no difficulty in drawing cash for pay-rolls, and those earning more than P200 a month had the excess transferred to their accounts. Outstanding bills could be paid in checks negotiable through the banks, as such checks, cleared daily, did not involve the payment of cash over the counter, but were met in the aggregate by the clearing-balances which the various banks maintained at the Philippine National Bank.

There were also restrictions on exchange, to prevent a "flight of capital," and telegraphic transfers were limited to P500 in the case of individuals except by special permit from the Bank Commissioner. Company transfers were however permitted within their established regular requirements, and the Bank Commissioner allowed the banks considerable latitude in carrying out this order. On December 10 the order went out that banking institutions for the purpose of fulfilling exchange contracts executed after December 8, 1941, should satisfy themselves that such contracts were entered into for the purpose of obtaining foreign exchange with which to pay for the import or export of goods. There was a difference of opinion among the bankers in Santo Tomas whether this applied to banking institutions themselves.

Though there were official indications of what was ultimately to be expected, bank managers in the Santo Tomas camp stated definitely that they had never received any direct warning from any responsible government official that the enemy occupation of the city was as imminent as it proved to be, with the result that many important records, which might otherwise have been placed in safety, fell into the hands of the Japanese. *In actual cash and negotiable securities, however, the Japanese probably got very little.*

The High Commissioner gave the public an opportunity to lodge U. S. currency and government bonds with his office against receipt, though only for a few days late in the month, December 22 to 24. F. C. Bailey, assistant manager of the National City Bank of New York in Manila was deputized to handle this business at the offices of his bank. Publicity was given to the matter in the newspapers and many people took advantage of the opportunity this offered, though many more were still standing in line to await their turn when an armored truck called for the last time at the bank around 11 o'clock on the morning of December 24 to take this wealth away.

On May 26, 1941, the Bank Commissioner had issued "Special License No. 12," authorizing withdrawals from banks—

"for the purpose of buying bonds and/or other evidences of indebtedness to the Government of the Philippines, or of the United States or any of its instrumentalities authorized to issue such bonds and/or evidences of indebtedness, including bonds issued by government-owned or controlled corporations and other institutions, public or private, engaged in the military and civil defense of the Philippines. Any banking institution against which such withdrawals are made shall act as agent of the withdrawing depositor for the purchase of such bonds, or shall otherwise satisfy itself that such withdrawals are being made and will be solely used for the purpose of buying such bonds."

The Mint as well as the Philippine Treasury was housed in the Intendencia Building on the Intramuros side of the Pasig River, and this building was bombed and partly destroyed by the enemy around noon on Saturday, December 27. Two bank men, in the Santo Tomas camp, an American and a Scot, were caught in the first attack. A bomb exploded in front of the entrance, and although others were killed and wounded, the two, who happened to be standing behind the large pillars in the lobby, escaped injury. The chauffeur of the Scotsman had not come in to take shelter and was killed in his car, parked just outside the entrance. After the raid, the men got away on foot, across the Jones Bridge, and had reached their offices badly shaken, when, in a return attack, the Intendencia received several direct hits. Many in the building were killed. A representative of the Monte de Piedad had a man killed right on top of him. He himself was unhurt. The bombs were probably aimed at the shipping in the river, but some people believed that the building had been deliberately bombed by the enemy perhaps because they believed that bullion was being removed from there.

On the 28th, the High Commissioner's Office announced that private individuals and the banks other than the National City Bank might, up to noon of the following day, deposit their securities with the National City Bank in parcels together with affidavits of their contents for later checking; these securities were to be taken to Corregidor for safe-keeping, and, if it became necessary to destroy them, the affidavits would serve as a basis for issuing duplicate securities later.

*On the evening of the same day, Sunday, December 28, bank managers were called to Malacañan where they were instructed by one of the U. S. Treasury officials in Manila to turn over all their remaining cash and negotiable securities to the High Commissioner's deputies at the Philippine National Bank and the National City Bank the next day. They were, however, given no specific warning as to the imminence of the enemy occupation of the city. The Bank Commissioner, Pedro de Jesus, told one of the bankers present that he couldn't sell any more dollars because the vaults in the Intendencia Building had been jammed by the bombing and he had therefore no place to put the pesos which he would be offered in exchange for the dollars.*

Early Tuesday, morning, between 1 and 2 o'clock (December 30), an armored car, accompanied by a Constabulary guard in a truck, called at the two banks for the cash and securities, including the clearing balances, all of which was sent to Corregidor.

As inter-island transportation was disrupted following the outbreak of the war, the branches of the various banks in the southern islands had no means of replenishing their cash. For this and other reasons, the Philippine National Bank branches were authorized by President Quezon to print emergency paper currency, much of which was used in paying the USAFFE in the field during the months which followed.

Some of the Manila bank executives awaited the Japanese in their offices on Saturday morning, January 3. They were made to turn over the keys and the combinations of the safes and vaults to them, and were informed that an official of the Bank of Taiwan had been appointed liquidator. Calhoun of the National City Bank and two of his staff were exhibited down-town for an hour or so in an open truck before being taken to Villamor Hall.

Subsequently, after their internment in Santo Tomas, a number of the bank men were taken out of the camp to their former offices to complete trial-balances and give other information. On such occasions they were generally treated with fair courtesy.

**The Gold Bullion.**—On the 22nd of December, most of the gold bullion on hand in Baguio, about P2,000,000 worth, was shipped to Manila in an armored truck. It was desired to get this off to Corregidor for safe-keeping, and the same armored truck was at the pier on the morning of the 26th or 27th. But neither of the two ferry boats which plied between Manila and the island came in all that day, and it was a day of frequent air-raid alarms and of several bombings in the port area. Every time the siren blew, the heavily-loaded truck (the bullion was about half silver and weighed three tons) drove off for greater

safety to the Luneta. It always took a little time for the heavy truck to get up any speed. During the day a lot of army gear accumulated on the pier, intended for Corregidor, and, in time, also a considerable number of wounded soldiers. An army captain, hearing about the three tons of bullion, said, "If there are any three tons of cargo to go, it will be corned-beef and blankets!" In the end, however, a major communicated the tip that after dark the S. S. *Don Esteban* would come to the pier and would sail at midnight for the fortress. The bullion was got aboard and stored in the two de-luxe cabins on the deck. The ship arrived at Corregidor before morning and the gold was unloaded on the wharf. The man in charge went looking for the U. S. High Commissioner, and found him at breakfast with President Quezon. Mr. Sayre said there were no regulations to cover such a situation, but after consulting some of his advisers he conceded that the gold could be placed in the Insular vault on the island.

Note (1945) — According to General Wainwright ("General Wainwright's Story", edited by R. Considine, Doubleday & Company), gold certificates and other securities taken to Corregidor in December, 1941, were taken to Australia by submarine and from there by ship to San Francisco where they were deposited in the Federal Reserve Bank. Paper currency was burned on Corregidor, but a record of ownership was made for subsequent reimbursement. Some \$17,000,000 in silver coin was boxed and sunk under 100 feet of water. The Japanese were unable to find this treasure and most of it was recovered after the war.

Note (1946) — According to the annual report of the U. S. High Commissioner, the paper currency destroyed consisted of \$2,741,225 in United States currency and P28,376,420 in Philippine currency. Of these amounts, \$2,420,486 belonged to the Commonwealth Treasury, P27,374,000 belonged to Manila banks, and the balance to private individuals. The largest single item of paper currency was one of P15,900,000 from the Manila Clearing House Association, which represented the balances of member banks. This means that the free cash balances in the banks which were withdrawn in Philippine currency amounted to only P7,474,000, or 32% of the total currency in circulation. This belies the claim that issues of Japanese military notes were necessary because of the lack of an adequate currency.

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## Claims Arising from Japanese Seizure of American and Allied Credits and Bank Deposits in the Philippines

By Finley J. Gibbs

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### INTRODUCTION

WHEN the Japanese army invaded and occupied the Philippines at the outbreak of World War II, it interned the resident Americans, British, and other nationals of the United Nations and seized their property. This property included: (1) tangible personal and real property of all sorts, such as houses, furniture, and cars; and (2) credits and bank deposits.

Much of the tangible property was looted or damaged. Practically all of the credits and bank deposits were collected by the Japanese in wholly unsecured Japanese military notes. The Supreme Court of the Philippines has ruled that such collection was valid and wiped out the deposits and credits involved. These losses, which in many cases were of life savings and were more severe than losses to tangible property, were suffered only by Americans and their non-Filipino allies. Filipinos were not formally treated as enemies by the Japanese.

The purpose of this memorandum is to set forth the relevant facts, law, acts of Congress, and equities with regard to these losses of credits and deposits in the hope of obtaining some redress or assistance through the United States Government.

### FACTS

THE Japanese army entered Manila on January 3, 1942, and immediately set up a Japanese Military Administration. Under this administration the Japanese established the "Office of Enemy Property Custody" the function of which was to take custody of the property and credits of Americans, British, and other non-Filipino allied nationals.

On June 25, 1942, the commander-in-chief of the Japanese forces issued Military Ordinance No. 1 sequestering all payments due to citizens of the United States and to other non-Filipino allied nationals, and required that such payments be deposited in the Bank of Taiwan, Ltd., and the Yokohama Specie Bank, Ltd., to be subject to withdrawal only under licenses given by the Japanese Military Administration. (1 Official Journal, Japanese Military Administration, pp. 36-38).

On July 31, 1942, an order was issued requiring the liquidation of the American, British, Dutch, and Chinese banks. The Bank of Taiwan, Ltd. was appointed as liquidator. Debtors were ordered to pay to the Bank of Taiwan the principal and interest of their obligations by September 30, 1942. (Administrative Ordinance No. 11).